

**Bloomberg AusBond Indices**  
*Month in Review – May 2018*

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**Month in Review**  
**Australian Market Performance**

On May 1<sup>st</sup> 2018, the Reserve Bank of Australia (RBA) left the target cash rate unchanged at 1.5%. As shown in Table 1 below, the AusBond Composite Index's April return was positive (0.69%). The best performing component of the Index was the Treasury Index at 0.81%. The AusBond Semi-Govt and Credit Indices returned 0.65% and 0.49% respectively, followed by the AusBond Supra-Sovereign Index (0.44%) for the month. The Inflation Credit Index rose 0.96% during May and the AusBond Inflation Government Index was up 0.78% for the month. The Bank Bill remained steady at 0.17%. Within equities, the S&P/ASX Accumulation 200 Index rose in May, sending its return up by 1.09%.

Table 1. AusBond Total Return Performance: May 2018

Index	MAY	APR	MAR	QTD	YTD	2 YR	5 YR
Bloomberg AusBond Composite 0+ Yr Index	0.69%	-0.35%	0.84%	0.34%	1.21%	2.09%	4.07%
Bloomberg AusBond Treasury 0+ Yr Index	0.81%	-0.56%	1.19%	0.24%	1.27%	1.70%	3.77%
Bloomberg AusBond Semi-Govt 0+ Yr Index	0.65%	-0.17%	0.54%	0.48%	1.15%	1.96%	4.28%
Bloomberg AusBond SupraSov 0+ Yr Index	0.44%	-0.02%	0.41%	0.42%	1.07%	2.47%	4.04%
Bloomberg AusBond Credit 0+ Yr Index	0.49%	-0.10%	0.41%	0.39%	1.20%	3.50%	4.60%
Bloomberg AusBond Bank Bill Index	0.17%	0.16%	0.14%	0.34%	0.77%	1.81%	2.24%
Bloomberg AusBond Credit FRN 0+ Yr Index	0.18%	0.24%	0.02%	0.42%	0.87%	3.01%	3.21%
Bloomberg AusBond Infl 0+ Yr Index	0.79%	-0.53%	1.20%	0.25%	1.18%	2.11%	3.86%
Bloomberg AusBond Infl Govt 0+ Yr Index	0.78%	-0.56%	1.23%	0.21%	1.11%	1.96%	3.65%
Bloomberg AusBond Infl Credit 0+ Yr Index	0.96%	0.10%	0.71%	1.06%	2.42%	4.53%	6.41%
S&P/ASX Accumulation 200 Index	1.09%	3.91%	-3.77%	5.04%	0.99%	10.36%	8.76%

Note: 2 and 5 year returns are annualized.

Chart 1. Bloomberg AusBond Composite Index: Monthly Performance 2017-2018

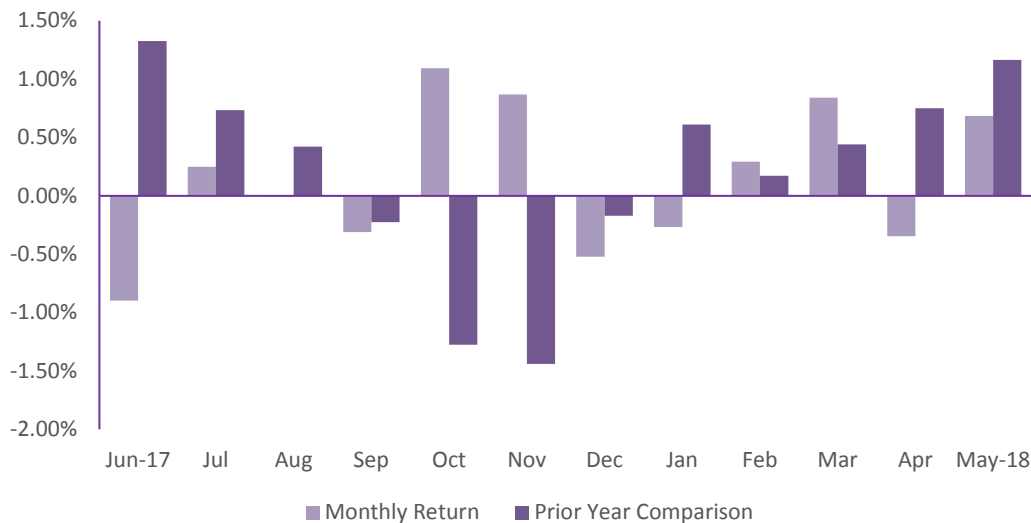


Chart 2. S&P/ASX200 Accumulation Index vs. Bloomberg AusBond Composite Index: Monthly Return Performance 2017 - 2018<sup>1</sup>

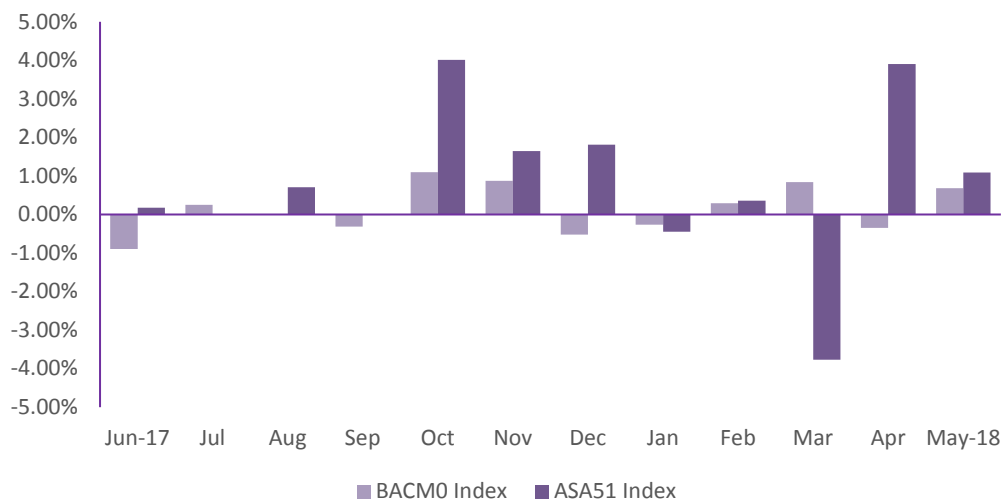
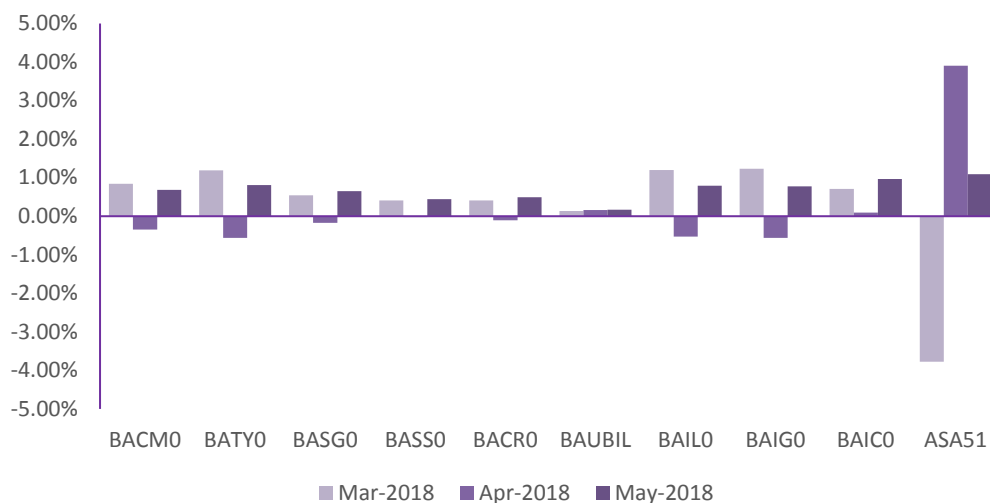


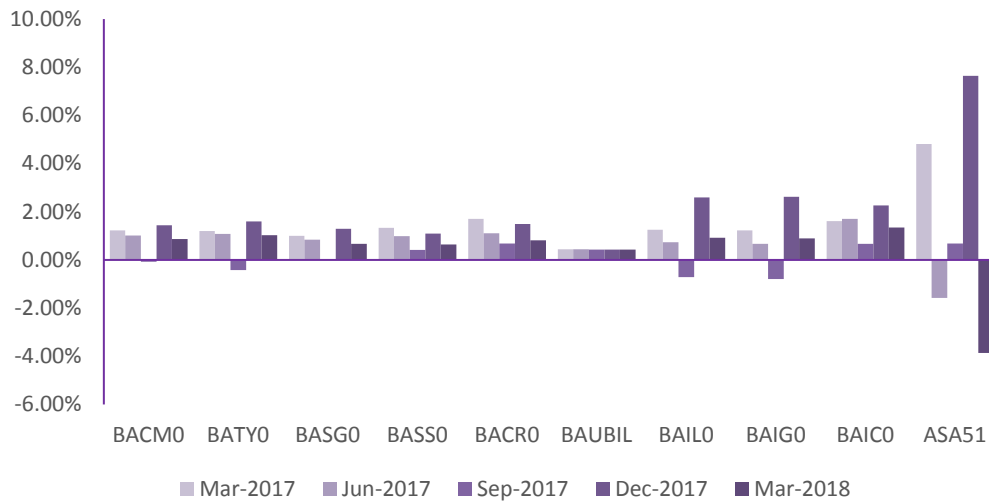
Chart 3. Bloomberg AusBond Indices: Recent monthly returns<sup>2</sup>



<sup>1</sup> The following indices are shown: AusBond Composite Index (BACM0) and S&P/ASX 200 Accumulation Index (ASA51).

<sup>2</sup>The following indices are shown: AusBond Composite Index (BACM0); AusBond Treasury Index (BATY0); AusBond Semi-Government Index (BASG0); AusBond Supra/Sovereign Index (BASS0); AusBond Credit Index (BACRO); AusBond Bank Bill Index (BAUBIL); AusBond Inflation Index (BAIL0); AusBond Inflation Government Index (BAIG0); AusBond Inflation Credit Index (BAIC0) and S&P/ASX 200 Accumulation Index (ASA51).

Chart 4. Bloomberg AusBond Indices: Recent quarterly returns



**New Zealand Market Performance**

On May 10<sup>th</sup> 2018, the Reserve Bank of New Zealand (RBNZ)'s target cash rate was unchanged at 1.75%. As set out in the Table 2 below, monthly performance among NZBond indices were positive across the board for the month of May. The Composite Index on aggregate rose 0.62% for the month. The best performing component of the Index was the Treasury Index (0.68%) while the worst performing one was the Supra-Sovereign index (0.50%). The other components of the Composite performed as follows: Local Govt Index increased 0.62%; Credit Index was up by 0.56%. The Bank Bill Index gained 0.17%.

Table 2. NZBond Total Return Performance: May 2018

Index	MAY	APR	MAR	QTD	YTD	2 YR	5 YR
Bloomberg NZBond Composite 0+ Yr Index	0.62%	-0.08%	0.64%	0.54%	1.15%	2.91%	4.23%
Bloomberg NZBond Treasury 0+ Yr Index	0.68%	-0.18%	0.86%	0.50%	0.95%	2.36%	3.98%
Bloomberg NZBond Local Govt 0+ Yr Index	0.62%	0.01%	0.57%	0.63%	1.38%	3.39%	4.83%
Bloomberg NZBond Non-Govt 0+ Yr Index	0.53%	0.03%	0.33%	0.57%	1.39%	3.65%	4.63%
Bloomberg NZBond SupraSov 0+ Yr Index	0.50%	0.01%	0.36%	0.51%	1.31%	3.26%	4.22%
Bloomberg NZBond Credit 0+ Yr Index	0.56%	0.06%	0.31%	0.62%	1.47%	4.11%	5.07%
Bloomberg NZBond Bank Bill Index	0.17%	0.16%	0.15%	0.33%	0.79%	2.07%	2.71%
Bloomberg NZBond Infl 0+ Yr Index	1.97%	-0.39%	1.38%	1.58%	1.16%	4.36%	4.13%
S&P/NZX 50 Gross Index	2.55%	1.50%	-0.65%	4.08%	3.10%	10.91%	13.93%

Note: 2 and 5 year returns are annualized.

Chart 5. Bloomberg NZBond Composite Index: Monthly Performance 2017-2018

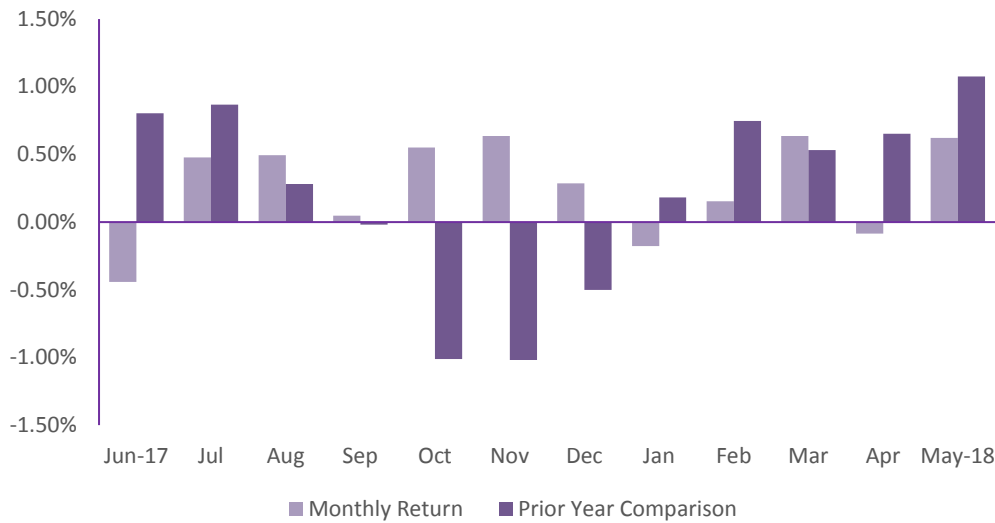
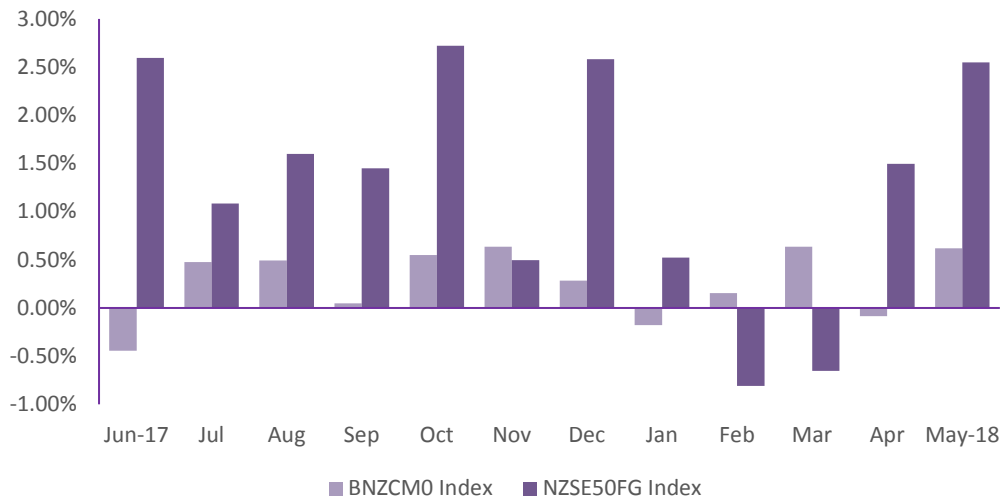


Chart 6. S&P/NZX50 Gross Index vs. Bloomberg NZBond Composite Index: Monthly Return Performance 2017-2018<sup>3</sup>



<sup>3</sup> The following indices are shown: NZBond Composite Index (BNZCM0) and S&P/NZX 50 Gross Index (NZSE50FG).

Chart 7. Bloomberg NZBond Indices: Recent monthly returns<sup>4</sup>

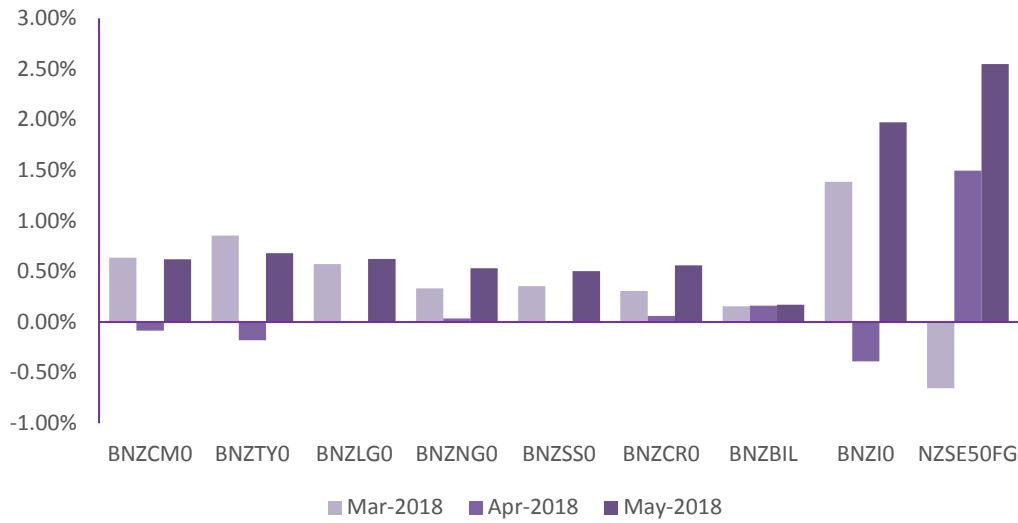
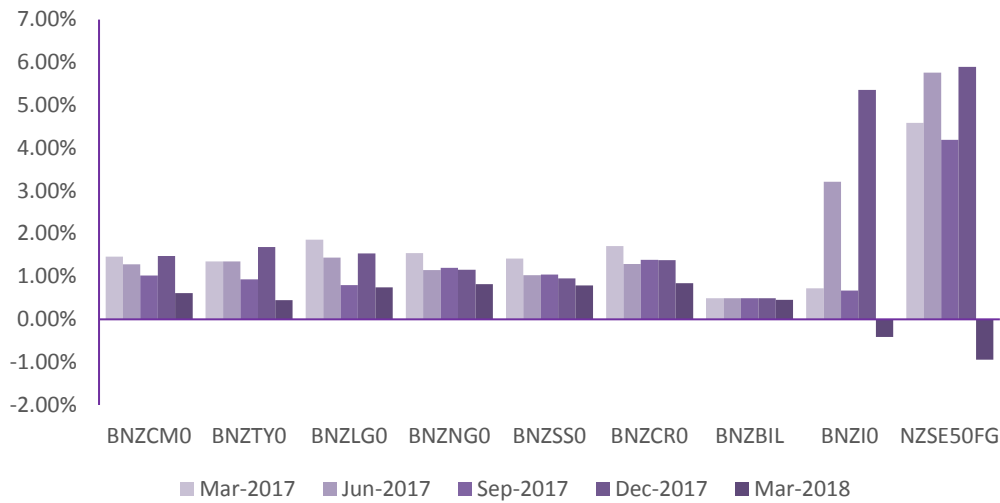


Chart 8. Bloomberg NZBond Indices: Recent quarterly returns



<sup>4</sup>The following indices are shown: NZBond Composite Index (BNZCM0); NZBond Treasury Index (BNZTY0); NZBond Local Govt Index (BNZLGO); NZBond Non-Govt Index (BNZNGO); NZBond SupraSov Index (BNZSSO); NZBond Credit Index (BNZCRO); NZBond Bank Bill Index (BNZBIL); NZBond Govt Inflation Index (BNZIO) and S&P/NZX 50 Gross Index (NZSE50FG).

### Global Market Performance

Chart 9 illustrates the recent monthly and yearly performance of global sovereign indices. The largest mover in May, UK, increased 1.83%. The US Aggregate Treasury Index rose 0.90%. On a twelve-month basis, as shown in Table 3, returns were mixed. Global Sovereign Indices returns were as follows: Canada (-2.10%), US (-0.83%), UK (0.50%), Germany (0.79%), Euro (0.40%), Japan (0.82%), Singapore (-1.27%), Hong Kong (-1.45%) and China (4.40%).

Chart 9. Bloomberg Indices Sovereign Debt Performance: May 2018<sup>5</sup>

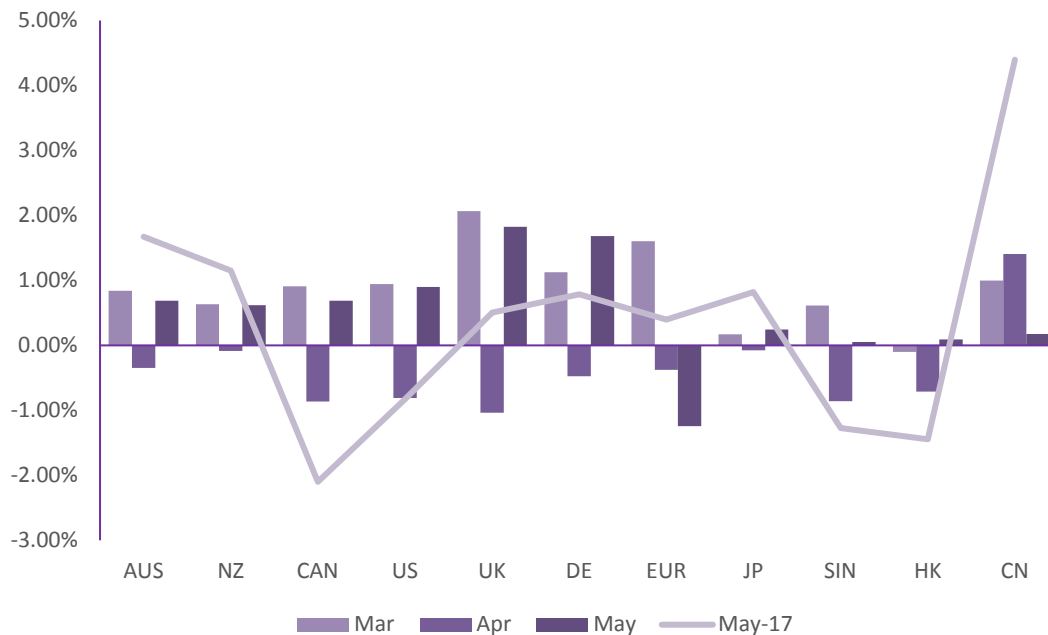


Table 3. Bloomberg Indices Sovereign Debt Performance: May 2018

Return	AUS	NZ	CAN	US	UK	DE	EUR	JP	SIN	HK	CN
May	0.69%	0.62%	0.69%	0.90%	1.83%	1.68%	-1.24%	0.24%	0.05%	0.09%	0.17%
Apr	-0.35%	-0.08%	-0.86%	-0.81%	-1.04%	-0.47%	-0.38%	-0.07%	-0.86%	-0.71%	1.41%
Mar	0.84%	0.64%	0.91%	0.94%	2.07%	1.13%	1.60%	0.17%	0.61%	-0.10%	1.00%
12-MTH	1.67%	1.15%	-2.10%	-0.83%	0.50%	0.79%	0.40%	0.82%	-1.27%	-1.45%	4.40%

In May, monthly performance among the global Investment Grade Corporate Indices was mixed. The APAC (ex-JP) Corporate Index dipped the most (-0.33%). Euro and Pan-European benchmark were down -0.25% and -0.10% respectively. The Bloomberg Barclays US Corporate Bond Index gained 0.54% for the month. On a twelve-month basis, as shown in Table 4, the return of the Indices were mostly in positive territory except UK (-0.32%).

<sup>5</sup> The Sovereign Indices shown are: Bloomberg AusBond Treasury (BATY0 Index); Bloomberg NZBond Treasury (BNZTY0 Index); Bloomberg Barclays Global Treasury Bond Index country subsets for Canada, US, UK, Germany, Euro, Japan, Singapore, Hong Kong and the China Aggregate Treasury subset.

Chart 10. Bloomberg Indices Investment Grade Corporate Indices: April 2018<sup>6</sup>

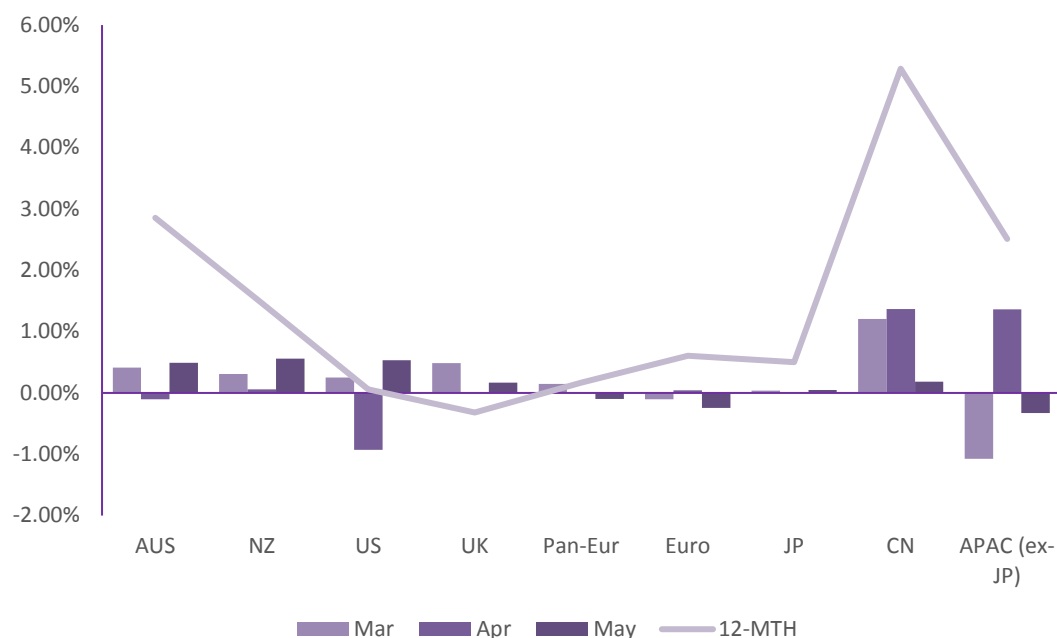


Table 4. Bloomberg Indices Investment Grade Corporate Indices: April 2018

Return	AUS	NZ	US	UK	Pan-Eur	Euro	JP	CN	APAC (ex-JP)
Apr	0.49%	0.56%	0.54%	0.17%	-0.10%	-0.25%	0.05%	0.18%	-0.33%
Mar	-0.10%	0.06%	-0.93%	-0.01%	-0.01%	0.04%	0.00%	1.37%	1.37%
Feb	0.41%	0.31%	0.25%	0.48%	0.15%	-0.10%	0.04%	1.21%	-1.08%
12-MTH	2.86%	1.47%	0.06%	-0.32%	0.17%	0.61%	0.50%	5.29%	2.51%

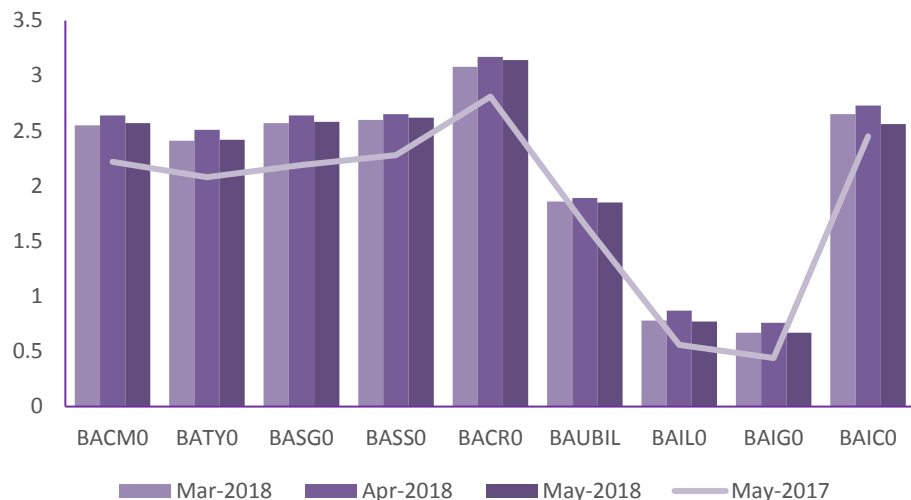
<sup>6</sup> The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACR0 Index); Bloomberg NZBond Credit Index (BNZCR0 Index); Bloomberg Barclays US Corporate Bond Index (LUACTRUU Index); Bloomberg Barclays Sterling Corporate Bond Index (LC61TRGU Index); Bloomberg Barclays EURO Index; Bloomberg Barclays Pan-European Index; Corporates Bond Index (LECPTRU Index); Bloomberg Barclays Asian-Pacific Japan Corporate Index (LJC1TRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.



**Market Yields**

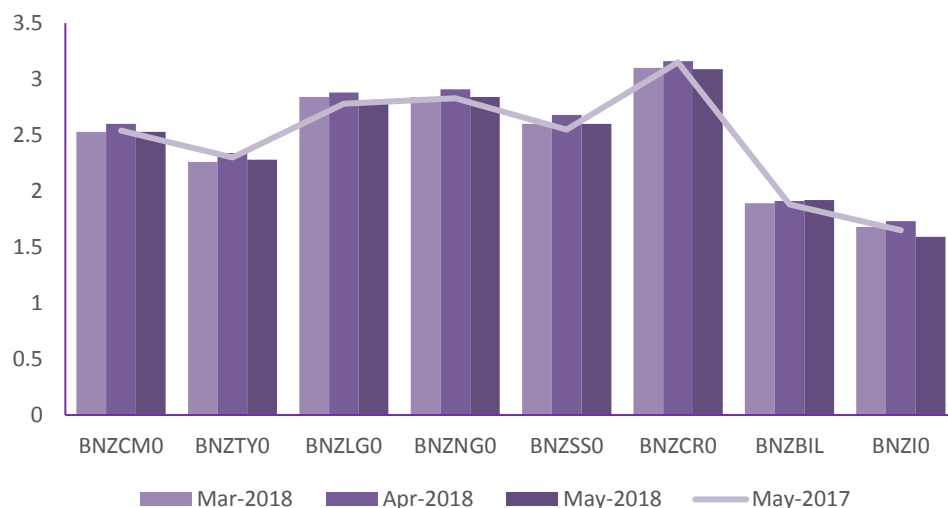
In May, the Yield to Worst (YTW) on the AusBond Composite Index ended the month with 2.57%. The Treasury Index was at 2.42%, at an -9 bps decrease compared to previous month. The Semi-Government Index decreased to 2.58% from 2.64% and the SupraSov Index was down -3 bps to 2.62%. The Bank Bill Yield decreased -4 bps at 1.85%.

Chart 11. Bloomberg AusBond Indices: Bond Yields



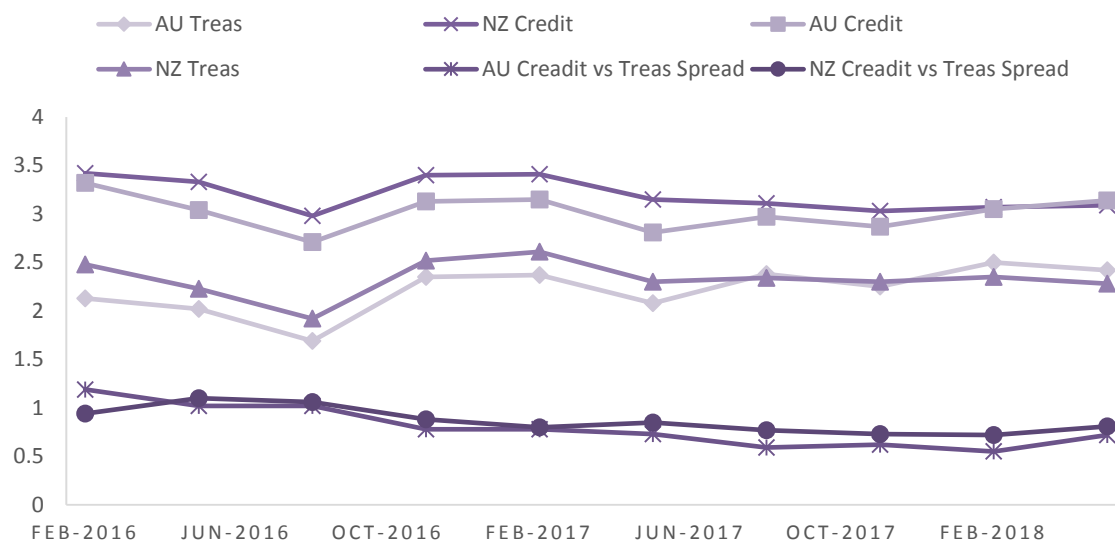
Yields for all NZBond Indices decreased for the month. The yield on the composite Index decreased to 2.53% from 2.60%. The yield on the Local Govt and SupraSov Index recorded the largest change (-8 bps) at 2.80% and 2.60% respectively. The New Zealand Bank Bill rose marginally at 1.92%.

Chart 12. Bloomberg NZBond Indices: Bond Yields



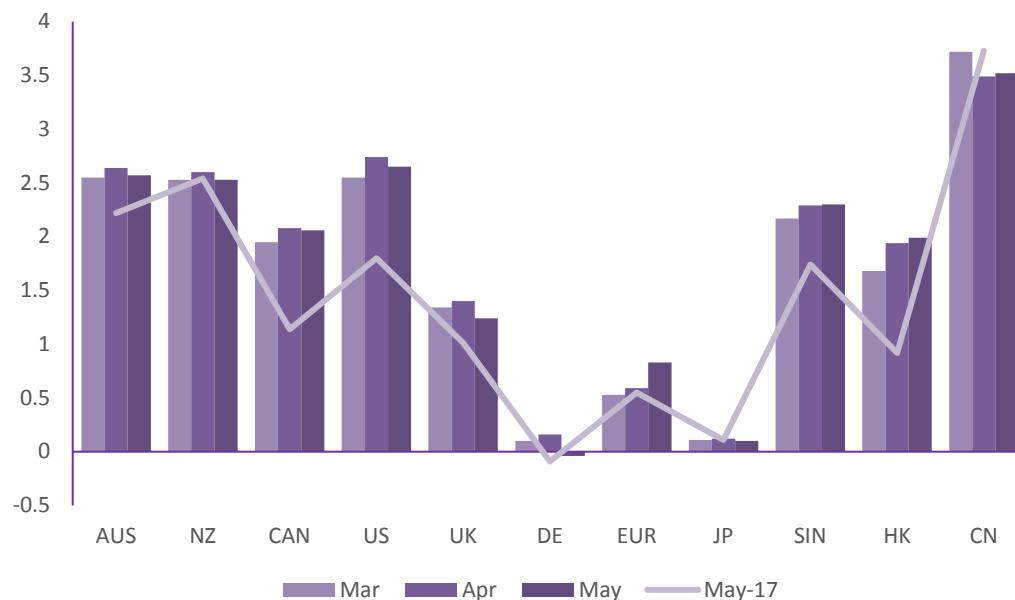
As illustrated in Chart 13, the YTW has been increasing for the Australian Credit Index and the New Zealand Credit Index for the past 3 months. There is also an evidence of divergence for credit and treasury spread during the last 3 months for both Australia and New Zealand.

Chart 13. Bloomberg AusBond & NZBond Indices: Yields and Spreads



YTW figures for the Global Bloomberg Barclays Sovereign Indices were mixed in May. The YTW for Euro sovereign index rose the most (+24 bps) while YTW for UK sovereign index dropped the most (-16 bps) followed by US (-9 bps) compared to April as shown below.

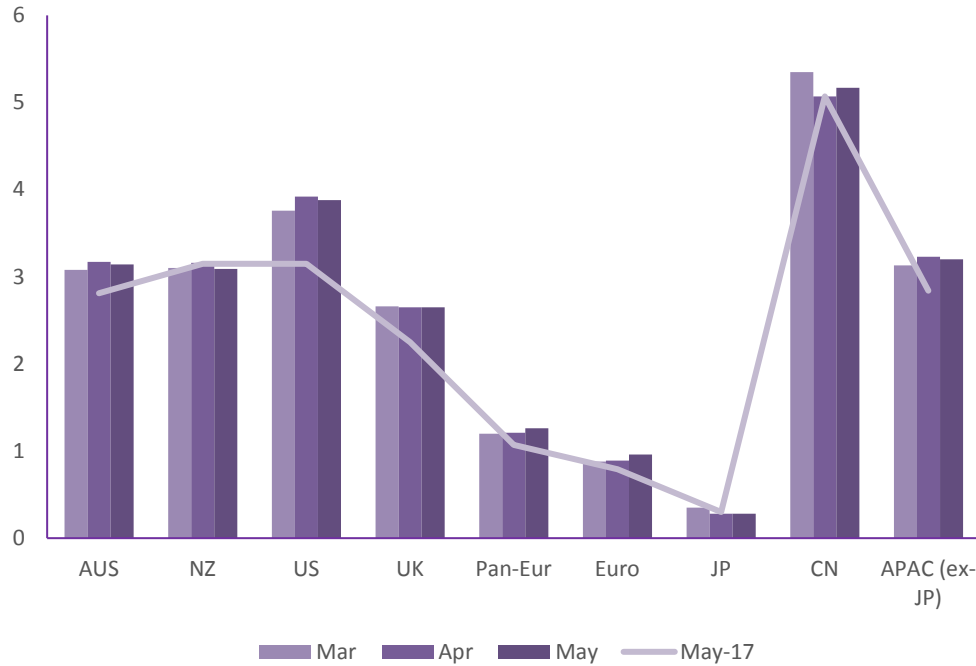
Chart 14. Bloomberg Indices Sovereign Bond Yields<sup>7</sup>



<sup>7</sup>The Sovereign Bond Indices shown are: Bloomberg AusBond Treasury (BATY0 Index); Bloomberg NZBond Treasury (BNZTY0 Index); Bloomberg Barclays Global Treasury Bond Index country subsets for Canada, US, UK, Germany, Euro, Japan, Singapore, Hong Kong and China.

May 2018 recorded yield movement within 5 bps for most Investment-Grade Corporate aggregates as shown below. China Corporate Bond Index rose the most (+10 bps) to 5.17% from 5.07%. US Investment-Grade Corporate Bond Index dropped -4 bps to 3.81% from 3.92%.

Chart 15. Bloomberg Indices Investment Grade Corporate Bond Yields<sup>8</sup>



<sup>8</sup>The global benchmarks for investment-grade corporate bonds shown are: Bloomberg AusBond Credit Index (BACR0 Index); Bloomberg NZBond Credit Index (BNZCR0 Index); Bloomberg Barclays US Corporate Bond Index (LUACTRUU Index); Bloomberg Barclays Sterling Corporate Bond Index (LC61TRGU Index); Bloomberg Barclays Euro-Aggregate: Corporates Bond Index (LECPTRU Index); Bloomberg Barclays Asian-Pacific Japan Corporate Index (LJC1TRJU Index); Bloomberg Barclays China Aggregate: Corporate Index and Bloomberg Barclays Asian-Pacific Non-Japan Corporate Index.

## Supply

Table 5 shows that the AusBond Composite Index added A\$9.86bn of new supply (issuances and taps) in May. The new supply was -5.56% lower than the previous month and A\$3.36bn lower than the 12 month average (A\$13.22bn). The largest contributors were Treasuries at A\$5bn followed by Non-Government at A\$3.23bn and Semi-Government at A\$1.63bn. Nine new issues were added to the Composite Index amounting to A\$2.71bn, which leaves A\$7.15bn in taps.

The new additions to the Composite Index were issued across 6 different sectors. Both ANZ and NAB issued A\$0.55bn fixed coupon bonds which are the largest amongst new additions in May. The largest tap was carried on the 3.25% June 2039 Treasury bond. Additionally, six Semi-Government issuers upsized in May: QTC (A\$0.52bn), WATC (A\$0.32bn), TSCOR (A\$0.26bn), NTTC (A\$0.25bn), NSWTC (A\$0.16bn), TCV(A\$0.12bn). The month of May also saw approximately A\$3.49bn of buybacks and maturities.

Table 5. Bloomberg AusBond Composite Index Net New Supply: May 2018

Sector	MAY-18 (A\$bn)	APR-18 (A\$bn)	MAR-18 (A\$bn)	QTD (A\$bn)	12-mth AVG (A\$bn)	% diff on prior mth	% diff on 12-mth AVG
<b>Additions</b>							
Treasury	5	4.6	3.8	5	6.36	8.70%	-21.38%
Semi-Government	1.63	3.57	0.93	1.63	3.06	-54.34%	-46.73%
Non-Government	3.23	2.27	2.86	3.23	3.8	42.29%	-15.00%
<b>Total Composite</b>	<b>9.86</b>	<b>10.44</b>	<b>7.59</b>	<b>9.86</b>	<b>13.22</b>	<b>-5.56%</b>	<b>-25.42%</b>
<b>Removals</b>							
Treasury	0.8	1.1	0.8	0.8	3.75	-27.27%	-78.67%
Semi-Government	1.66	1.23	0.91	1.66	2.53	34.96%	-34.39%
Non-Government	1.03	3.3	2.55	1.03	2.75	-68.79%	-62.55%
<b>Total Composite</b>	<b>3.49</b>	<b>5.63</b>	<b>4.26</b>	<b>3.49</b>	<b>9.03</b>	<b>-38.01%</b>	<b>-61.35%</b>
<b>Net new supply</b>							
Treasury	4.2	3.5	3	4.2	2.61	20.00%	60.92%
Semi-Government	-0.03	2.34	0.02	-0.03	0.53	-101.28%	-105.66%
Non-Government	2.2	-1.03	0.31	2.2	1.05	-313.59%	109.52%
<b>Total Composite</b>	<b>6.37</b>	<b>4.81</b>	<b>3.33</b>	<b>6.37</b>	<b>4.19</b>	<b>32.43%</b>	<b>52.03%</b>

## Maturities

Table 6. Maturities for AusBond Composite Index: May 2018

ISSUER	ISIN	VALUE	MATURITY
INTL FINANCE CORP	AU0000IFXHI3	700,000,000	6-Jun-18
AUST CAPITAL TERRITORY	AU3CB0177269	550,000,000	7-Jun-18
BANK OF QUEENSLAND LTD	AU3CB0221786	200,000,000	12-Jun-18
JEM SOUTHBANK PTY LTD	AU300JEME028	127,760,000	28-Jun-18

Table 7. Upcoming maturities for AusBond Composite Index: June 2018

ISSUER	ISIN	VALUE	MATURITY
SYDNEY AIRPORT FINANCE	AU3CB0176485	100,000,000	06-Jul-18
KFW	AU0000KFWHW2	2,450,000,000	18-Jul-18
QIC SHOPPING CENTRE FUND	AU3CB0204584	100,000,000	25-Jul-18
ASIAN DEVELOPMENT BANK	AU0000ATBHM9	650,000,000	25-Jul-18

Table 8. Maturities for NZBond Composite Index: May 2018

ISSUER	ISIN	VALUE	MATURITY
(None)			

Table 9. Upcoming maturities for NZBond Composite Index: June 2018

ISSUER	ISIN	VALUE	MATURITY
ASB BANK LIMITED	NZABBDT026C6	250,000,000	18-Jul-18

### Index Market Capitalisation

The AusBond Composite Index ended May 2018 at A\$1,001bn.

The NZBond Composite Index stood at NZ\$116.31bn at the end of May.

Chart 16. Growth of Bloomberg AusBond Composite Index: 2016 – 2018

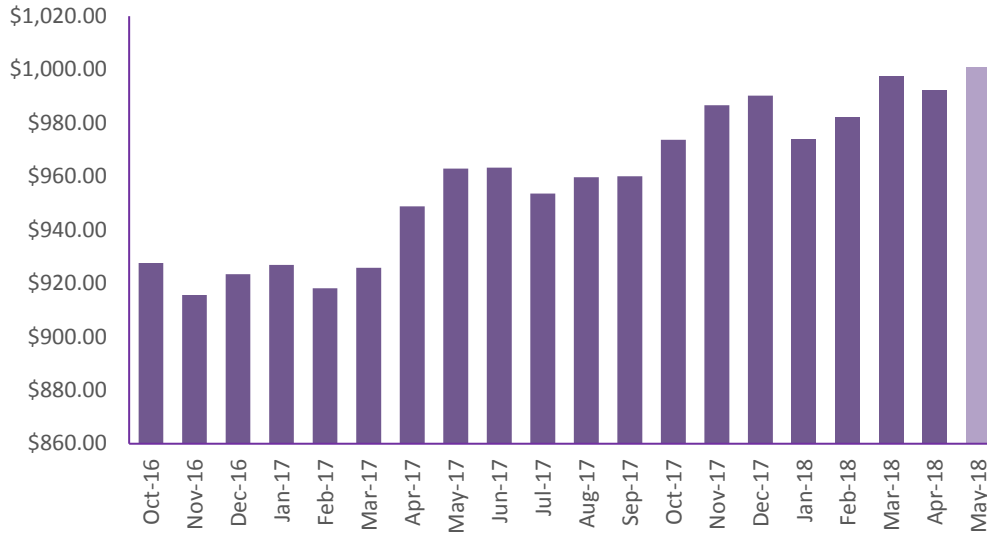
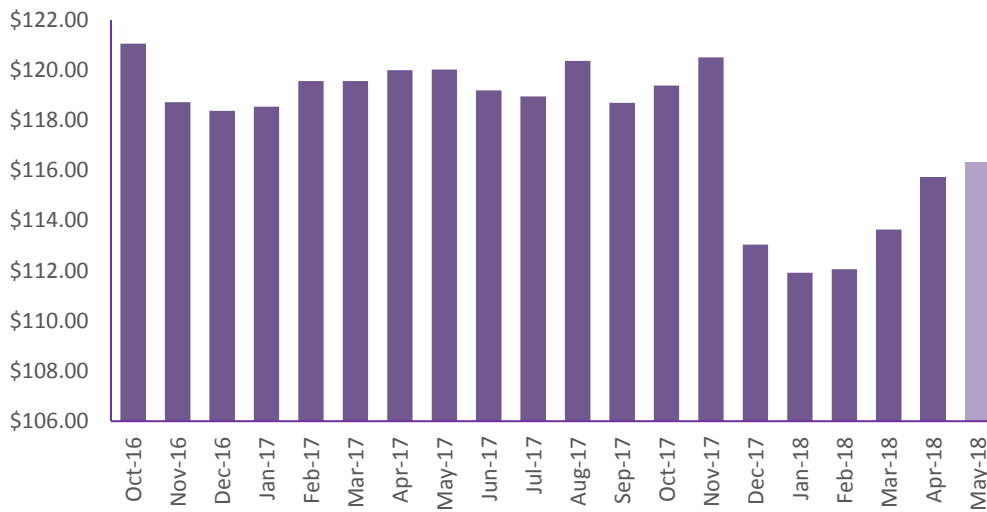


Chart 17. Growth of Bloomberg NZBond Composite Index: 2016 – 2018



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The Bloomberg AusBond Indices are compared to the S&P/ASX 200 Index and S&P/NZX 50 Gross Index, respectively (collectively, the "S&P Indices"). The S&P/ASX 200 measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization, covering approximately 80% of Australian equity market capitalization. The S&P/NZX 50 Gross Index is designed to measure the performance of the 50 largest, eligible stocks listed on the Main Board (NZSX) of the NZX by float-adjusted market capitalization, covering approximately 90% of New Zealand equity market capitalization. The volatility of the S&P Indices may be materially different from that of the Bloomberg AusBond Indices. In addition, the membership in Bloomberg AusBond Indices differs significantly from the securities that comprise the S&P Indices. The S&P Indices have not been selected to represent appropriate benchmarks to compare the performance of Bloomberg AusBond Indices, but rather are disclosed to allow for comparison of Bloomberg AusBond Indices to well-known and widely recognized indices. Standard & Poor's, S&P, S&P/NZX 50 Gross Index and S&P/ASX 200 are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"), a part of McGraw Hill Financial.